EXHIBIT A

FORM 10-Q/A

VeriFone Holdings, Inc. - PAY

Filed: August 19, 2008 (period: July 31, 2007)

Amendment to a previously filed 10-Q

Table of Contents

10-Q/A - AMENDMENT TO FORM 10-Q

Part I

ITEM 1. FINANCIAL STATEMENTS
ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
ITEM 4. CONTROLS AND PROCEDURES

PART II

ITEM 1. LEGAL PROCEEDINGS
ITEM 1A. RISK FACTORS
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
ITEM 3. DEFAULTS UPON SENIOR SECURITIES
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
ITEM 5. OTHER INFORMATION
ITEM 6. EXHIBITS
SIGNATURES
EXHIBIT INDEX
EX-31.1 (EXHIBIT 31.1)

EX-31.2 (EXHIBIT 31.2)

EX-32.1 (EXHIBIT 32.1)

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

(Amendment No. 1)

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 31, 2007

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 001-32465

VERIFONE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**04-3692546**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

2099 Gateway Place, Suite 600
San Jose, CA 95110
(Address of principal executive offices with zip code)

(408) 232-7800
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

At August 24, 2007, the number of shares outstanding of the registrant's common stock, $0.01 par value per share was 83,410,979.

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 (the "Amended 10-Q") to the Quarterly Report on Form 10-Q of VeriFone Holdings, Inc. (the "Company" or "VeriFone") for the three and nine months ended July 31, 2007 is being filed to correct certain errors in VeriFone's Condensed Consolidated Financial Statements and the related disclosures.

As discussed in Note 2, "Restatement of Condensed Consolidated Financial Statements," of the notes to the accompanying Condensed Consolidated Financial Statements in this Amended 10-Q, the correction of these errors from previously reported information for the three months ended July 31, 2007 has resulted in a reduction in income (loss) before income taxes of $14.4 million, primarily as a result of a $16.2 million increase in total cost of net revenues offset by a $1.7 million reduction in operating expenses. The correction of these errors from previously reported information for the nine months ended July 31, 2007 has resulted in a reduction in income (loss) before income taxes of $36.7 million, primarily as a result of a $40.9 million increase in total cost of net revenues offset by a $4.8 million reduction in operating expenses.

On December 3, 2007, we announced that our management had identified errors in accounting related to the valuation of in-transit inventory and the allocation of manufacturing and distribution overhead to inventory and that as a result of these errors we anticipated that a restatement of our unaudited condensed consolidated financial statements would be required for the following interim periods:

- the three months ended January 31, 2007;
- the three and six months ended April 30, 2007; and
- the three and nine months ended July 31, 2007.

On December 3, 2007, following our announcement, the Audit Committee approved the commencement of an independent investigation into the errors in accounting that led to the anticipated restatement. The Audit Committee engaged independent counsel, Simpson Thacher & Bartlett LLP ("Simpson Thacher"), to conduct the independent investigation under the Audit Committee's supervision. Simpson Thacher engaged Navigant Consulting, Inc. ("Navigant") as independent forensic accountants. The scope of the investigation was proposed by Simpson Thacher in consultation with Navigant and approved by the Audit Committee.

On April 2, 2008, the Company announced that its Audit Committee had completed the independent investigation. The Audit Committee investigation found no evidence that any period prior to fiscal year 2007 required restatement.

Concurrently with the Audit Committee investigation, we also conducted an internal review for the purpose of restating our fiscal 2007 interim financial statements and preparing our fiscal 2007 annual financial statements and fiscal 2008 interim financial statements. This review included evaluations of the previously made accounting determinations and judgments. As a result, we have also corrected additional errors, including errors that had previously not been corrected because our management believed that individually and in the aggregate such errors were not material to our consolidated financial statements. Management also made additional adjustments to reduce certain accruals which had been recorded, such as bonuses, which were accrued based upon information which, following the restatement, was no longer accurate.

The following items have been amended principally as a result of, and to reflect, the restatements:

- Part I — Item 1. Financial Statements (Unaudited);
- Part I — Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Part II — Item 4. Controls and Procedures;
- Part II — Item 1. Legal Proceedings;
- Part II — Item 1A. Risk Factors; and
- Part II — Item 6. Exhibits.

For the convenience of the reader, this Amended 10-Q amends and restates in its entirety the Quarterly Report on Form 10-Q for the three and nine months ended July 31, 2007 (the "10-Q"). However, this Amended 10-Q amends only the items referred to above, in each case as a result of and to reflect the adjustments discussed above and more fully in Note 2 of the accompanying Condensed Consolidated Financial Statements and related disclosures. No other information in the 10-Q is amended hereby. The foregoing items have not been updated to reflect other events occurring after the filing of the 10-Q, or to modify or update those disclosures affected by other subsequent events. In particular, forward-looking statements included in this Amended 10-Q represented

management's views as of the date of filing of the 10-Q for the quarterly period ended July 31, 2007 on September 7, 2007. Such forward-looking statements should not be assumed to be accurate as of any future date. VeriFone undertakes no duty to update such information whether as a result of new information, future events or otherwise.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, VeriFone's principal executive officer and principal financial officer are providing Rule 13a-14(a) certifications dated August 19, 2008 in connection with this Amended 10-Q (but otherwise identical to their prior certifications) and are also furnishing, but not filing, written statements pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated August 19, 2008 (but otherwise identical to their prior statements).

TABLE OF CONTENTS

VERIFONE HOLDINGS, INC.

INDEX

PART I — FINANCIAL INFORMATION

Item 1	Financial Statements (unaudited):	
	Condensed Consolidated Balance Sheets — July 31, 2007 (restated) and October 31, 2006	5
	Condensed Consolidated Statements of Operations — Three and Nine Months Ended July 31, 2007 (restated) and 2006	6
	Condensed Consolidated Statements of Cash Flows — Nine Months Ended July 31, 2007 (restated) and 2006	7
	Notes to Condensed Consolidated Financial Statements (restated)	8
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	56
Item 3	Quantitative and Qualitative Disclosures About Market Risk	71
Item 4	Controls and Procedures	72

PART II — OTHER INFORMATION

Item 1	Legal Proceedings	74
Item 1A	Risk Factors	75
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	79
Item 3	Defaults Upon Senior Securities	80
Item 4	Submission of Matters to a Vote of Security Holders	80
Item 5	Other Information	80
Item 6	Exhibits	81
Signatures		82
EXHIBIT 31.1		
EXHIBIT 31.2		
EXHIBIT 32.1		

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. *FINANCIAL STATEMENTS*

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	July 31, 2007 (Restated)(1)	October 31, 2006
	(Unaudited)	
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 212,946	$ 86,564
Accounts receivable, net of allowances of $5,276 and $2,364	182,920	119,839
Inventories	104,784	86,631
Deferred tax assets	21,991	13,267
Prepaid expenses and other current assets	29,438	12,943
Total current assets	552,079	319,244
Property, plant, and equipment, net	40,290	7,300
Purchased intangible assets, net	180,396	16,544
Goodwill	610,351	52,689
Deferred tax assets	55,276	21,706
Debt issuance costs, net	13,427	10,987
Transaction costs	—	12,350
Other assets	22,961	12,125
Total assets	$ 1,474,780	$ 452,945
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 97,296	$ 66,685
Income taxes payable	41,687	5,951
Accrued compensation	18,641	16,202
Accrued warranty	10,102	4,902
Deferred revenue, net	39,552	23,567
Accrued expenses	6,138	4,752
Accrued transaction costs	—	12,000
Other current liabilities	71,218	13,661
Current portion of long-term debt	5,367	1,985
Restructuring liabilities	2,661	2,963
Total current liabilities	292,662	152,668
Accrued warranty	426	530
Deferred revenue	10,310	7,371
Long-term debt, net of current portion	549,006	190,904
Deferred tax liabilities	78,470	859
Other long-term liabilities	10,692	1,872
Total liabilities	941,566	354,204
Minority interest	2,620	—
Stockholders' equity:		
Preferred stock: 10,000 shares authorized as of July 31, 2007 and October 31, 2006; no shares issued and outstanding as of July 31, 2007 and October 31, 2006	—	—
Common stock: $0.01 par value, 100,000 shares authorized at July 31, 2007 and October 31, 2006; 83,316 and 68,148 shares issued and outstanding as of July 31, 2007 and October 31, 2006	833	682
Additional paid-in-capital	611,565	140,569
Accumulated deficit	(96,351)	(43,468)
Accumulated other comprehensive income	14,547	958
Total stockholders' equity	530,594	98,741
Total liabilities and stockholders' equity	$ 1,474,780	$ 452,945

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)(1)	2006	2007 (Restated)(1)	2006
	(Unaudited) (In thousands, except per share data)			
Net revenues:				
System Solutions	$ 205,972	$ 131,960	$ 586,407	$ 378,781
Services	25,729	15,657	78,540	45,656
Total net revenues	231,701	147,617	664,947	424,437
Cost of net revenues:				
System Solutions	132,268	72,704	391,510	211,584
Services	13,837	8,452	41,572	23,391
Total cost of net revenues	146,105	81,156	433,082	234,975
Gross profit	85,596	66,461	231,865	189,462
Operating expenses:				
Research and development	15,365	11,726	48,272	35,354
Sales and marketing	23,686	14,181	69,549	42,786
General and administrative	19,364	10,936	62,306	30,627
Amortization of purchased intangible assets	5,416	1,159	16,456	3,477
In-process research and development	—	—	6,650	—
Total operating expenses	63,831	38,002	203,233	112,244
Operating income	21,765	28,459	28,632	77,218
Interest expense	(9,468)	(3,438)	(28,731)	(9,914)
Interest income	2,226	938	4,751	2,552
Other income (expense), net	(4,156)	(195)	(4,419)	71
Income before income taxes	10,367	25,764	233	69,927
Provision for income taxes	52,753	9,009	53,116	24,342
Net income (loss)	$ (42,386)	$ 16,755	$ (52,883)	$ 45,585
Net income (loss) per share:				
Basic	$ (0.51)	$ 0.25	$ (0.65)	$ 0.69
Diluted	$ (0.51)	$ 0.24	$ (0.65)	$ 0.66
Weighted average shares used in computing net income (loss) per share:				
Basic	82,407	66,284	81,699	65,936
Diluted	82,407	69,079	81,699	68,906

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended July 31, 2007 (Restated)(1)	Nine Months Ended July 31, 2006
	(Unaudited) (In thousands)	
Cash flows from operating activities		
Net income (loss)	$ (52,883)	$ 45,585
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of purchased intangible assets	44,930	7,560
Depreciation and amortization of property, plant, and equipment	5,814	2,532
Amortization of capitalized software	800	892
In-process research and development	6,650	—
Amortization of interest rate caps	5	236
Amortization of debt issuance costs	1,129	819
Stock-based compensation	21,954	3,798
Non-cash portion of loss on debt extinguishment	4,764	—
Minority interest and equity in earnings of affiliates	(86)	—
Other	(86)	(74)
Net cash provided by operating activities before changes in working capital	32,991	61,348
Changes in operating assets and liabilities:		
Accounts receivable, net	(28,035)	(19,097)
Inventories	47,967	(40,369)
Deferred tax assets	(7,161)	(2,663)
Prepaid expenses and other current assets	(5,852)	(1,204)
Other assets	(3,709)	(924)
Accounts payable	19,487	15,421
Income taxes payable	39,475	431
Tax benefit from stock-based compensation	(6,882)	(2,666)
Accrued compensation	(5,147)	200
Accrued warranty	(2,640)	(886)
Deferred revenue	10,317	5,509
Deferred tax liabilities	9,434	—
Accrued expenses and other liabilities	(15,432)	(1,460)
Net cash provided by operating activities	84,813	13,640
Cash flows from investing activities		
Software development costs capitalized	(4,532)	(1,731)
Purchase of property, plant, and equipment, net	(20,366)	(2,780)
Purchase of other assets	(500)	(673)
Purchases of marketable securities	—	(125,034)
Sales and maturities of marketable securities	—	127,325
Transaction costs, pending acquisitions	—	(2,497)
Acquisition of businesses, net of cash and cash equivalents acquired	(267,745)	—
Net cash used in investing activities	(293,143)	(5,390)
Cash flows from financing activities		
Proceeds from long-term debt, net of costs	613,252	—
Purchase of convertible note hedge	(80,236)	—
Sale of warrants	31,188	—
Repayment of long-term debt	(262,554)	(1,386)
Tax benefit of stock-based compensation	6,882	2,666
Repayments of capital leases	(43)	(125)
Investment in subsidiary by minority stockholder	1,050	—
Proceeds from exercises of stock options	24,539	2,120
Other	26	—
Net cash provided by financing activities	334,104	3,275
Effect of foreign currency exchange rate changes on cash	608	1,011
Net increase in cash and cash equivalents	126,382	12,536
Cash and cash equivalents, beginning of period	86,564	65,065
Cash and cash equivalents, end of period	$ 212,946	$ 77,601
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 25,345	$ 9,013
Cash paid for taxes	$ 13,779	$ 26,881
Supplemental schedule of non-cash transactions:		
Debt issuance costs withheld from proceeds	$ 8,333	$ —
Issuance of common stock and stock options for business acquisition	$ 435,228	$ —

(1) See Note 2, "Restatement of Condensed Consolidated Financial Statements," of the Notes to Condensed Consolidated Financial Statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Description of Business

VeriFone Holdings, Inc. ("VeriFone" or the "Company") was incorporated in the state of Delaware on June 13, 2002. VeriFone designs, markets, and services electronic payment solutions that enable secure electronic payments among consumers, merchants, and financial institutions.

On November 1, 2006, the Company acquired all of the outstanding ordinary shares of Lipman Electronic Engineering Ltd. ("Lipman"). The consideration paid to acquire Lipman was $347.3 million in cash, 13,462,474 shares of common stock of the Company, and assumption of all outstanding Lipman stock options. See Note 4 of Notes to Condensed Consolidated Financial Statements for additional information related to this business combination.

Note 2. Restatement of Condensed Consolidated Financial Statements

Background

On December 3, 2007, the Company announced that its management had identified errors in accounting related to the valuation of in-transit inventory and the allocation of manufacturing and distribution overhead to inventory and that as a result of these errors, the Company anticipated that a restatement of its unaudited condensed consolidated financial statements would be required for the following interim periods:

- the three months ended January 31, 2007;
- the three and six months ended April 30, 2007; and
- the three and nine months ended July 31, 2007.

On December 3, 2007, following the announcement, the Company's Audit Committee approved the commencement of an independent investigation into the errors in accounting that led to the anticipated restatement. The Audit Committee engaged independent counsel, Simpson Thacher & Bartlett LLP ("Simpson Thacher"), to conduct the independent investigation under the Audit Committee's supervision. Simpson Thacher engaged Navigant Consulting, Inc. ("Navigant") as independent forensic accountants. The scope of the investigation was proposed by Simpson Thacher in consultation with Navigant and approved by the Audit Committee. The investigation involved a program of forensic analysis designed to investigate, among other things:

- the circumstances surrounding the errors identified by management and described in the Company's December 3, 2007 announcement;
- whether additional errors existed requiring further restatement in the interim periods of fiscal 2007 and the adjustments required to correct and restate the Company's interim financial statements; and
- whether evidence existed indicating that periods prior to fiscal 2007 may also be required to be restated.

Simpson Thacher and Navigant assembled an investigative team that ultimately consisted of approximately 70 professionals. Information and documents were gathered from current and former employees worldwide. Using search technology, the investigative team evaluated over five million documents in physical and electronic form. Navigant also reviewed relevant accounting databases and journal entries. The investigative team also conducted more than 25 interviews of senior executives, former senior executives of Lipman, and current and former finance, accounting and supply chain personnel.

The Company announced on April 2, 2008 that the investigation was complete and that the investigation had confirmed the existence of the errors in accounting identified in the Company's December 3, 2007 announcement. In particular, the investigation confirmed that incorrect manual journal and elimination entries had been made

Table of Contents

primarily by the Company's Sacramento, California supply chain accounting team with respect to several inventory-related matters.

The investigation also concluded that existing policies with respect to manual journal entries were not followed and that the review processes and controls in place were not sufficient to identify and correct the errors in a timely manner. The investigation found no evidence that any period prior to fiscal year 2007 required restatement.

Among the most significant errors giving rise to the restatement were:

- manual journal entries made for the three months ended January 31, 2007 that erroneously added manufacturing and distribution overhead to inventory held at former Lipman subsidiaries, notwithstanding that overhead had already been allocated to that inventory. This duplication erroneously increased reported inventory and reduced reported cost of net revenues by $7.7 million in the three months ended January 31, 2007;
- manual journal entries made for the periods ended April 30, 2007 and July 31, 2007 that erroneously recorded in-transit inventory of an additional $12.7 million at April 30, 2007 and an additional $7.3 million at July 31, 2007 based on erroneous methodology and application of source documents; and
- $6.3 million in errors made in the elimination of intercompany profit in inventory for the nine months ended July 31, 2007.

Concurrently with the Audit Committee investigation, the Company also conducted an internal review for the purpose of restating the Company's fiscal 2007 interim financial statements and preparing the Company's fiscal 2007 annual financial statements and fiscal 2008 interim financial statements. This review included evaluations of the previously made accounting determinations and judgments. As a result, the Company has also corrected additional errors, including errors that had previously not been corrected because management believed that individually and in the aggregate such errors were not material to the Company's consolidated financial statements. Management also made additional adjustments to reduce certain accruals which had been recorded, such as bonuses, which were accrued based upon information which, following the restatement, was no longer accurate.

Restatement Adjustments

The following tables present the impact of the restatement adjustments on the Company's previously reported condensed consolidated balance sheet as of July 31, 2007, condensed consolidated statements of operations for the three and nine months ended July 31, 2007, and condensed consolidated statement of cash flows for the nine months ended July 31, 2007. The impact to the statement of cash flows is the result of the adjustments to the condensed consolidated balance sheet and condensed consolidated statements of operations described below.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATED BALANCE SHEETS

	July 31, 2007 As Reported	Adjustments	Ref.	Restated
	(In thousands)			
ASSETS				
Current assets:				
Cash and cash equivalents	$ 212,946	$ —		$ 212,946
Accounts receivable, net of allowances	183,096	(176)		182,920
Inventories	145,398	(40,614)	(b)	104,784
Deferred tax assets	20,832	1,159	(e)	21,991
Prepaid expenses and other current assets	24,911	4,527	(e)	29,438
Total current assets	587,183	(35,104)		552,079
Property, plant, and equipment, net	42,857	(2,567)	(f)	40,290
Purchased intangible assets, net	180,835	(439)	(f)	180,396
Goodwill	564,718	45,633	(f)	610,351
Deferred tax assets	75,493	(20,217)	(e)	55,276
Debt issuance costs, net	13,427	—		13,427
Other assets	19,742	3,219	(f)	22,961
Total assets	$ 1,484,255	$ (9,475)		$ 1,474,780
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$ 97,810	$ (514)		$ 97,296
Income taxes payable	5,489	36,198	(e)	41,687
Accrued compensation	19,990	(1,349)		18,641
Accrued warranty	9,613	489		10,102
Deferred revenue, net	39,271	281		39,552
Accrued expenses	6,138	—		6,138
Other current liabilities	73,468	(2,250)	(f)	71,218
Current portion of long-term debt	5,367	—		5,367
Restructuring liabilities	2,661	—		2,661
Total current liabilities	259,807	32,855		292,662
Accrued warranty	426	—		426
Deferred revenue	10,310	—		10,310
Long-term debt, net of current portion	549,006	—		549,006
Deferred tax liabilities	70,155	8,315	(e)	78,470
Other long-term liabilities	10,692	—		10,692
Total liabilities	900,396	41,170		941,566
Minority interest	3,299	(679)	(f)	2,620
Total stockholders' equity	580,560	(49,966)	(g)	530,594
Total liabilities and stockholders' equity	$ 1,484,255	$ (9,475)		$ 1,474,780

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended July 31, 2007				Nine Months Ended July 31, 2007			
	As Reported	Adjustments	Ref.	Restated	As Reported	Adjustments	Ref.	Restated
				(In thousands, except per share data)				
Net revenues:								
System Solutions	$ 206,216	$ (244)	(a)	$ 205,972	$ 587,245	$ (838)	(a)	$ 586,407
Services	25,729	—		25,729	78,539	1		78,540
Total net revenues	231,945	(244)		231,701	665,784	(837)		664,947
Cost of net revenues:								
System Solutions	116,622	15,646		132,268	353,381	38,129		391,510
Services	13,312	525		13,837	38,812	2,760		41,572
Total cost of net revenues	129,934	16,171	(c)	146,105	392,193	40,889	(c)	433,082
Gross profit	102,011	(16,415)		85,596	273,591	(41,726)		231,865
Operating expenses:								
Research and development	15,560	(195)		15,365	48,604	(332)		48,272
Sales and marketing	23,644	42		23,686	69,490	59		69,549
General and administrative	21,134	(1,770)	(d)	19,364	66,721	(4,415)	(d)	62,306
Amortization of purchased intangible assets	5,167	249		5,416	16,555	(99)		16,456
In-process research and development	—	—		—	6,640	10		6,650
Total operating expenses	65,505	(1,674)		63,831	208,010	(4,777)		203,233
Operating income	36,506	(14,741)		21,765	65,581	(36,949)		28,632
Interest expense	(9,584)	116		(9,468)	(28,935)	204		(28,731)
Interest income	2,226	—		2,226	4,751	—		4,751
Other income (expense), net	(4,386)	230		(4,156)	(4,417)	(2)		(4,419)
Income (loss) before income taxes	24,762	(14,395)		10,367	36,980	(36,747)		233
Provision for income taxes	11,323	41,430	(e)	52,753	19,666	33,450	(e)	53,116
Net income (loss)	$ 13,439	$ (55,825)		$ (42,386)	$ 17,314	$ (70,197)		$ (52,883)
Net income (loss) per share:								
Basic	$ 0.16	$ (0.67)		$ (0.51)	$ 0.21	$ (0.86)		$ (0.65)
Diluted	$ 0.16	$ (0.67)		$ (0.51)	$ 0.20	$ (0.85)		$ (0.65)
Weighted average shares used in computing net income (loss) per share:								
Basic	82,407	—		82,407	81,699	—		81,699
Diluted	84,374	(1,967)		82,407	84,507	(2,808)		81,699

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended July 31, 2007		
	Reported	Adjustments	Restated
		(In thousands)	
Net income (loss)	$ 17,314	$ (70,197)	$ (52,883)
Net cash provided by operating activities	$ 93,247	$ (8,434)	$ 84,813
Net cash used in investing activities	(301,586)	8,443	(293,143)
Net cash provided by (used in) financing activities	334,113	(9)	334,104
Effect of foreign currency exchange rates on cash	608	—	608
Net increase in cash and cash equivalents	126,382	—	126,382
Cash and cash equivalents, beginning of period	86,564	—	86,564
Cash and cash equivalents, end of period	$ 212,946	$ —	$ 212,946

The primary restatement adjustments to the Company's previously reported condensed consolidated balance sheet as of July 31, 2007 and condensed consolidated statements of operations for the three and nine months ended July 31, 2007 are as follows:

(a) Net revenues for the three and nine months ended July 31, 2007 were reduced primarily by errors in the timing of the recognition of revenue.

(b) The changes to inventories as of July 31, 2007 are as follows:

- $20.1 million decrease to eliminate intercompany in-transit inventory that did not exist, which was originally recorded based upon erroneous methodology and application of source documents. Intercompany in-transit inventory is inventory which is in the process of being shipped between VeriFone entities, primarily from either Israel or Singapore to the United States;
- $10.5 million decrease due to the duplicate recording of manufacturing and distribution overhead to inventories at former Lipman subsidiaries;
- $6.3 million decrease to eliminate intercompany profit in inventory. Inventory at the end of a quarter in one Verifone entity purchased from another Verifone entity contains intercompany profit which must be eliminated upon consolidation;
- $2.4 million decrease to correct errors in the capitalization of overhead;
- $0.6 million decrease to correct errors in excess and obsolete inventory;
- $1.1 million decrease to correct errors in recording and eliminating intercompany transactions; and
- $0.4 million net increase as a result of various adjustments, each individually less than $0.5 million.

(c) The changes to total cost of net revenues for the nine months ended July 31, 2007 are as follows:

- $20.1 million increase to eliminate intercompany in-transit inventory that did not exist, which was originally recorded based upon erroneous methodology and application of source documents. Intercompany in-transit inventory is inventory which is in the process of being shipped between VeriFone entities, primarily from either Israel or Singapore to the United States;
- $10.5 million increase due to the duplicate recording of manufacturing and distribution overhead to inventories at former Lipman subsidiaries;

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- $6.3 million increase to eliminate intercompany profit in inventory. Inventory at the end of a quarter in one Verifone entity purchased from another Verifone entity contains intercompany profit which must be eliminated upon consolidation;
- $2.4 million increase to correct errors in the capitalization of overhead;
- $0.9 million increase due to an error in determining replacement cost of component inventory at former Lipman entities;
- $0.6 million increase to correct errors in excess and obsolete inventory;
- $0.5 million increase to correct errors in recording and eliminating intercompany transactions; and
- $0.4 million net decrease as a result of various adjustments, each individually less than $0.5 million.

The changes to total cost of net revenues for the three months ended July 31, 2007 are as follows:

- $8.4 million increase to eliminate intercompany in-transit inventory that did not exist, which was originally recorded based upon erroneous methodology and application of source documents. Intercompany in-transit inventory is inventory which is in the process of being shipped between VeriFone entities, primarily from either Israel or Singapore to the United States;
- $2.8 million increase due to the duplicate recording of manufacturing and distribution overhead to inventories at former Lipman subsidiaries;
- $2.4 million increase to eliminate intercompany profit in inventory. Inventory at the end of a quarter in one Verifone entity purchased from another Verifone entity contains intercompany profit which must be eliminated upon consolidation;
- $2.1 million increase to correct errors in the capitalization of overhead;
- $0.6 million increase to correct errors in excess and obsolete inventory; and
- $0.1 million net decrease as a result of various adjustments, each individually less than $0.5 million.

(d) The changes to general and administrative expenses for the nine months ended July 31, 2007 are as follows:

- $4.3 million decrease in general and administrative expenses as a result of a reversal of executive bonuses and stock-based compensation, which was originally based upon information that, following the restatement, was no longer accurate; and
- Other adjustments were each individually less than $0.5 million.

The changes to general and administrative expenses for the three months ended July 31, 2007 are as follows:

- $1.7 million decrease in general and administrative expenses as a result of a reversal of executive bonuses and stock-based compensation, which was originally based upon information that, following the restatement, was no longer accurate; and
- Other adjustments were each individually less than $0.5 million.

(e) Prepaid expenses and other current assets (prepaid taxes), deferred tax assets and income tax expense adjustments reflect the tax impact of the restatement adjustments, and the application of the intraperiod accounting rules to tax expense.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(f) The changes to these balance sheet accounts relate to adjustments and corrections of various errors to the purchase price allocations of the Lipman, Payware and VTS acquisitions and/or reclassifications.

The changes to goodwill as of July 31, 2007 are as follows:

- $29.9 million increase as a result of adjustments in long-term deferred tax liabilities;
- $5.5 million increase to correct errors related to Lipman stock-options assumed at acquisition;
- $5.8 million decrease as a result of corrections related to Lipman, Payware and VTS assets and liabilities assumed at acquisition; and
- $16.0 million increase as a result of cumulative translation adjustments related to the above adjustments and correction of errors.

(g) The changes to total stockholders' equity as of July 31, 2007 are as follows:

- $70.2 million decrease as a result of the restatement adjustments to the consolidated statement of operations;
- $3.3 million decrease due to correction of errors related to stock compensation expense;
- $5.5 million increase to correct errors related to Lipman stock-options assumed at acquisition; and
- $18.1 million increase as a result of cumulative translation adjustments related to adjustments and correction of various errors noted above.

Note 3. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Unaudited Interim Financial Information

The accompanying condensed consolidated balance sheet as of July 31, 2007, the condensed consolidated statements of operations for the three and nine months ended July 31, 2007 and 2006, and the condensed consolidated statements of cash flows for the nine months ended July 31, 2007 and 2006 are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and Form 10-Q and Article 10 of Regulation S-X. In the opinion of the Company's management, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and include all adjustments of a normal recurring nature necessary for the fair presentation of the Company's financial position as of July 31, 2007 and its results of operations for the three and nine months ended July 31, 2007 and 2006, and its cash flows for the nine months ended July 31, 2007 and 2006. The results for the interim periods are not necessarily indicative of the results to be expected for any future period or for the fiscal year ended October 31, 2007. The condensed consolidated balance sheet as of October 31, 2006 has been derived from the audited consolidated balance sheet as of that date. Certain amounts reported in previous periods have been reclassified to conform to the current period presentation. The reclassifications did not impact previously reported revenues, total operating expense, operating income, net income, or stockholders' equity.

Table of Contents

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and related notes included in the Company's 2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on December 18, 2006.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates, and such differences may be material to the consolidated financial statements.

Revenue Recognition

The Company's revenue recognition policy is consistent with applicable revenue recognition guidance and interpretations, including the requirements of Emerging Issues Task Force Issue No. 00-21 ("EITF 00-21"), *Revenue Arrangements with Multiple Deliverables,* Statement of Position 97-2 ("SOP 97-2"), *Software Revenue Recognition,* Statement of Position 81-1 ("SOP 81-1"), *Accounting for Performance of Construction-Type and Certain Production Type Contracts,* Staff Accounting Bulletin No. 104 ("SAB 104"), *Revenue Recognition,* and other applicable revenue recognition guidance and interpretations.

The Company records revenue when all four of the following criteria are met: (i) there is persuasive evidence that an arrangement exists; (ii) delivery of the products and/or services has occurred; (iii) the selling price is fixed or determinable; and (iv) collectibility is reasonably assured. Cash received in advance of revenue recognition is recorded as deferred revenue, net.

Net revenues from System Solutions sales to end-users, resellers, value added resellers, and distributors are recognized upon shipment of the product with the following exceptions:

- if a product is shipped free on board destination, revenue is recognized when the shipment is delivered, or
- if an acceptance or a contingency clause exists, revenue is recognized upon the earlier of receipt of the acceptance letter or when the clause lapses.

End-users, resellers, value added resellers, and distributors generally have no rights of return, stock rotation rights, or price protection.

The Company's System Solutions sales include software that is incidental to the electronic payment devices and services included in its sales arrangements.

The Company enters into revenue arrangements for individual products or services. As a System Solutions provider, the Company's sales arrangements often include support services in addition to electronic payment devices ("multiple deliverables"). These services may include installation, training, consulting, customer support, product maintenance, and/or refurbishment arrangements.

Revenue arrangements with multiple deliverables are evaluated to determine if the deliverables (items) should be divided into more than one unit of accounting. An item can generally be considered a separate unit of accounting if all of the following criteria are met:

- the delivered item(s) has value to the customer on a standalone basis;
- there is objective and reliable evidence of the fair value of the undelivered item(s); and
- if the arrangement includes a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) is considered probable and substantially in the control of the Company.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deliverables that do not meet these criteria are combined into a single unit of accounting.

If there is objective and reliable evidence of fair value for all units of accounting, the arrangement consideration is allocated to the separate units of accounting based on their relative fair values. In cases where there is objective and reliable evidence of the fair value(s) of the undelivered item(s) in an arrangement but no such evidence for one or more of the delivered item(s), the residual method is used to allocate the arrangement consideration. In cases in which there is no objective and reliable evidence of the fair value(s) of the undelivered item(s), the Company defers all revenues for the arrangement until the period in which the last item is delivered.

For revenue arrangements with multiple deliverables, upon shipment of its electronic payment devices, the Company allocates revenue based on the relative fair value for all remaining undelivered elements and recognizes the residual amount within the arrangement as revenue for the delivered items as prescribed in EITF 00-21. Fair value is determined based on the price charged when each element is sold separately and/or the price charged by third parties for similar services.

Net revenues from services such as customer support and product maintenance are initially deferred and then recognized on a straight-line basis over the term of the contract. Net revenues from services such as installations, equipment repairs, refurbishment arrangements, training, and consulting are recognized as the services are rendered.

For software development contracts, the Company recognizes revenue using the completed contract method pursuant to SOP 81-1. During the period of performance of such contracts, billings and costs are accumulated on the balance sheet, but no profit is recorded before completion or substantial completion of the work. The Company uses customers' acceptance of such products as the specific criteria to determine when such contracts are substantially completed. Provisions for losses on software development contracts are recorded in the period they become evident.

For operating lease arrangements, the Company recognizes the revenue ratably over the term of the lease.

In addition, the Company sells products to leasing companies that, in turn, lease these products to end-users. In transactions where the leasing companies have no recourse to the Company in the event of default by the end-user, the Company recognizes revenue at the point of shipment or point of delivery, depending on the shipping terms and when all the other revenue recognition criteria have been met. In arrangements where the leasing companies have substantive recourse to the Company in the event of default by the end-user, the Company recognizes both the product revenue and the related cost of the product as the payments are made to the leasing company by the end-user, generally ratably over the lease term.

Foreign Currency Translation

The assets and liabilities of foreign subsidiaries, where the local currency is the functional currency, are translated from their respective functional currencies into U.S. dollars at the rates in effect at the balance sheet date, with resulting foreign currency translation adjustments recorded as accumulated other comprehensive income in the accompanying condensed consolidated balance sheets. Revenue and expense amounts are translated at average rates during the period.

Gains and losses realized from transactions, including intercompany balances not considered to be a permanent investment, denominated in currencies other than an entity's functional currency are included in other income (expense), net in the accompanying condensed consolidated statements of operations.

Concentrations of Credit Risk

Cash is placed on deposit in major financial institutions in the United States and other countries. Such deposits may be in excess of insured limits. Management believes that the financial institutions that hold the Company's cash are financially sound and, accordingly, minimal credit risk exists with respect to these balances.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company invests cash not required for use in operations in high credit quality securities based on its investment policy. The investment policy has restrictions based on credit quality, investment concentration, investment type, and maturity that the Company believes will result in reduced risk of loss of capital. Investments are of a short-term nature and include investments in money market funds and corporate debt securities.

The Company has not experienced any investment losses due to institutional failure or bankruptcy.

The Company's accounts receivable are derived from sales to a large number of direct customers, resellers, and distributors in the Americas, Europe, and the Asia Pacific region. The Company performs ongoing evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary, but generally requires no collateral.

An allowance for doubtful accounts is established with respect to those amounts that the Company has determined to be doubtful of collection using specific identification of doubtful accounts and an aging of receivables analysis based on invoice due dates. Actual collection losses may differ from management's estimates, and such differences could be material to the Company's consolidated financial position, results of operations, and cash flows. Uncollectible receivables are written off against the allowance for doubtful accounts when all efforts to collect them have been exhausted and recoveries are recognized when they are received. Generally, accounts receivable are past due 30 days after the invoice date unless special payment terms are provided.

In the three and nine months ended July 31, 2007, no customer accounted for more than 10% of net revenues. In the three and nine months ended July 31, 2006, First Data Corporation and its affiliates, accounted for 16% and 13%, respectively, of net revenues and no other customer accounted for 10% or more of net revenues in either of such periods. At July 31, 2007, no customer accounted for more than 10% of accounts receivable. At October 31, 2006, First Data Corporation and its affiliates accounted for 13% of accounts receivable and no other customer accounted for 10% or more of accounts receivable at that date.

The Company is exposed to credit loss in the event of nonperformance by counterparties to the foreign currency forward contracts used to mitigate the effect of exchange rate changes, the interest rate caps used to mitigate the effect of interest rate changes, and the purchased call option for the Company's stock related to the senior convertible notes. These counterparties are large international financial institutions and to date, no such counterparty has failed to meet its financial obligations to the Company. The Company does not anticipate nonperformance by these counterparties.

Besides those noted above, the Company had no other off-balance-sheet concentrations of credit risk, such as option contracts or other derivative arrangements, as of July 31, 2007 or October 31, 2006.

Product Manufacturing

The Company outsources a majority of the manufacturing of its products to contract manufacturers with facilities in China, Singapore, and Brazil. The Company also utilizes third-party service providers in the United States, Canada, United Kingdom, Poland, France, Italy, Spain, and Mexico for its equipment repair service. In November 2006, the Company added in-house manufacturing and services capabilities in Israel and Turkey as a result of the Lipman acquisition.

Fair Value of Financial Instruments

Financial instruments consist principally of cash and cash equivalents, marketable securities, accounts receivable, accounts payable, long-term debt, foreign currency forward contracts, interest rate caps, and the purchased call option with respect to the Company's own stock. Foreign currency forward contracts and interest rate caps are recorded at fair value. The estimated fair value of cash, accounts receivable, and accounts payable approximates their carrying value due to the short period of time to their maturities. The estimated fair value of long-term debt related to the Term B loan approximates its carrying value since the rate of interest on the long-term

debt adjusts to market rates on a periodic basis. The estimated fair value of the senior convertible notes approximates their carrying value due to the short time since issuance. The fair value of cash equivalents, marketable securities, foreign currency forward contracts, interest rate caps, and purchased call options are based on quotes from brokers using market prices for those or similar instruments.

Derivative Financial Instruments

The Company uses foreign currency forward contracts to hedge certain existing and anticipated foreign currency denominated transactions. The terms of foreign currency forward contracts used are generally consistent with the timing of the foreign currency transactions. Under its foreign currency risk management strategy, the Company utilizes derivative instruments to protect its interests from unanticipated fluctuations in earnings and cash flows caused by volatility in currency exchange rates. This financial exposure is monitored and managed by the Company as an integral part of its overall risk management program which focuses on the unpredictability of financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results. The Company has entered into interest rate caps in order to manage its variable interest rate risk on its secured credit facility. The Company has also purchased a call option on its own stock in connection with the issuance of its 1.375% Senior Convertible Notes.

The Company records certain derivatives, namely foreign currency forward contracts and interest rate caps, on the balance sheet at fair value. Changes in the fair value of derivatives that do not qualify or are not effective as hedges are recognized currently in earnings. The Company does not use derivative financial instruments for speculative or trading purposes, nor does it hold or issue leveraged derivative financial instruments.

The Company formally documents relationships between hedging instruments and associated hedged items. This documentation includes: identification of the specific foreign currency asset, liability, or forecasted transaction being hedged; the nature of the risk being hedged; the hedge objective; and the method of assessing hedge effectiveness. Hedge effectiveness is formally assessed, both at hedge inception and on an ongoing basis, to determine whether the derivatives used in hedging transactions are highly effective in offsetting changes in foreign currency denominated assets, liabilities, and anticipated cash flow of hedged items. When an anticipated transaction is no longer likely to occur, the corresponding derivative instrument is ineffective as a hedge, and changes in fair value of the instrument are recognized in net income.

The Company's international sales are generally denominated in currencies other than the U.S. dollar. For sales in currencies other than the U.S. dollar, the volatility of the foreign currency markets represents risk to the Company's profit margins. The Company defines its exposure as the risk of changes in the functional-currency-equivalent cash flows (generally U.S. dollars) attributable to changes in the related foreign currency exchange rates. From time to time the Company enters into certain foreign currency forward contracts with terms designed to substantially match those of the underlying exposure. The Company does not qualify these foreign currency forward contracts as hedging instruments and, as such, records the changes in the fair value of these derivatives immediately in other income (expense), net in the accompanying condensed consolidated statements of operations. As of July 31, 2007 and October 31, 2006, the Company did not have any outstanding foreign currency forward contracts. On August 1, 2007 the Company entered into foreign currency forward contracts with aggregate notional amounts of $33.2 million to hedge exposures to non-functional currencies. The Company's foreign currency forward contracts have maturities of 95 days or less.

The Company is exposed to interest rate risk related to a portion of its debt, which bears interest based upon the three-month LIBOR rate. On October 31, 2006, the Company's principal subsidiary, VeriFone, Inc., entered into a credit agreement (the "Credit Facility") with a syndicate of financial institutions, led by J.P. Morgan Chase Bank, N.A. and Lehman Commercial Paper Inc. The Credit Facility consists of a Term B Loan facility of $500 million and a revolving loan permitting borrowings of up to $40 million. The Term B Loan was drawn down in its entirety on October 31 and November 1, 2006. Through July 31, 2007, the Company had repaid an aggregate of $262.5 million leaving a loan balance of $237.5 million. Under the Credit Facility, the Company is required to fix the interest rate

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

through swaps, rate caps, collars, and similar agreements with respect to at least 30% of the outstanding principal amount of all loans and other indebtedness that have floating interest rates.

In May and December 2006, the Company purchased two-year interest rate caps for a total premium of $118,000. The interest rate caps have an initial notional amount of $200 million declining to $150 million after one year under which the Company will receive interest payments if the three-month LIBOR rate exceeds 6.5%. The interest rate caps were purchased to fix the interest rate related to the existing secured credit facility, or any refinancing thereof which is explained in Note 6. The fair value of the interest rate caps as of July 31, 2007 was $6,000 which was recorded in prepaid expenses and other current assets in the condensed consolidated balance sheets, with the related $107,000 unrealized loss recorded as a component of accumulated other comprehensive income, net of a $42,000 tax benefit.

For the three and nine months ended July 31, 2006, the Company received payments of $157,000 and $269,000, respectively, as a result of the three-month LIBOR rate on its previous Term B Loan exceeding the cap rate which amounts were recorded as offsets to interest expense in the condensed consolidated statements of operations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, money market funds, and other highly liquid investments with maturities of three months or less when purchased.

Marketable Securities

The Company classifies its marketable securities as available-for-sale in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Available-for-sale securities are carried at fair value, with unrealized holding gains and losses reported in accumulated other comprehensive income, which is a separate component of stockholders' equity, net of tax, in the accompanying condensed consolidated balance sheets. The amortization of premiums and discounts on the investments and realized gains and losses, determined by specific identification based on the trade date of the transactions, are recorded in interest income in the accompanying condensed consolidated statements of operations.

Minority Interest

The Company made a minority investment in VeriFone Transportation Systems, Inc. ("VTS") in October 2005. Prior to the fiscal quarter ended April 30, 2007, the investment in VTS was accounted for under the equity method and was included in other assets in the accompanying condensed consolidated balance sheets. In February 2007, the Company made an additional investment in VTS, which increased its ownership percentage in VTS to 51% at which time the Company began consolidating this investment. As of July 31, 2007, the Company's equity interest in VTS is 60.1%.

During the quarter ended July 31, 2007, the Company acquired the remaining minority interest of its Chinese subsidiary which it acquired in the acquisition of Lipman.

Debt Issuance Costs

Debt issuance costs are stated at cost, net of accumulated amortization. Amortization expense is calculated using the effective interest method and recorded in interest expense in the accompanying condensed consolidated statements of operations. The Company recorded a $4.8 million write-off of debt issuance costs related to the portion of the Credit Facility which was repaid.

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Inventories

Inventories are stated at the lower of standard cost or market. Standard costs approximate the first-in, first-out ("FIFO") method. The Company regularly monitors inventory quantities on hand and records write-downs for excess and obsolete inventories based primarily on the Company's estimated forecast of product demand and production requirements. Such write-downs establish a new cost-basis of accounting for the related inventory. Actual inventory losses may differ from management's estimates.

Shipping and Handling Costs

Shipping and handling costs are expensed as incurred and are included in cost of net revenues in the accompanying condensed consolidated statements of operations. In those instances where the Company bills shipping and handling costs to customers, the amounts billed are classified as revenue.

Warranty Costs

The Company accrues for estimated warranty obligations when revenue is recognized based on an estimate of future warranty costs for delivered products. Such estimates are based on historical experience and expectations of future costs. The Company periodically evaluates and adjusts the accrued warranty costs to the extent actual warranty costs vary from the original estimates. The Company's warranty period typically extends from 13 months to five years from the date of shipment. Costs associated with maintenance contracts, including extended warranty contracts, are expensed when they are incurred. Actual warranty costs may differ from management's estimates.

Research and Development Costs

Research and development costs are generally expensed as incurred. Costs eligible for capitalization under SFAS No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed,* were $1.6 million and $4.5 million for the three and nine months ended July 31, 2007, respectively, compared to $0.6 million and $1.7 million for the comparable periods in fiscal 2006. Capitalized software development costs of $12.0 million and $7.5 million as of July 31, 2007 and October 31, 2006, respectively, are being amortized on a straight-line basis over the estimated three-year life of the product to which the costs relate. These costs, net of accumulated amortization of $4.0 million and $3.2 million as of July 31, 2007 and October 31, 2006, respectively, are recorded in other assets in the accompanying condensed consolidated balance sheets.

Advertising Costs

Advertising costs are expensed as incurred and totaled approximately $306,000 and $854,000 for the three and nine months ended July 31, 2007, respectively, compared to $106,000 and $167,000 for the comparable periods in fiscal 2006, respectively.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year the differences are expected to reverse. The Company records a valuation allowance to reduce deferred tax assets to the amount that is expected to be realized on a more likely than not basis.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes certain changes in equity that are excluded from results of operations. Specifically, foreign currency translation adjustments, changes in the fair value of derivatives designated as hedges,

and unrealized gains and losses on available-for-sale marketable securities are included in accumulated other comprehensive income in the accompanying condensed consolidated balance sheets.

Property, Plant, and Equipment, net

Property, plant, and equipment are stated at cost, net of accumulated depreciation and amortization. Property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, generally two to ten years, except buildings which are depreciated over 40 years. The cost of equipment under capital leases is recorded at the lower of the present value of the minimum lease payments or the fair value of the assets and is amortized on a straight-line basis over the shorter of the term of the related lease or the estimated useful life of the asset. Amortization of assets under capital leases is included with depreciation expense.

Goodwill and Purchased Intangible Assets

Goodwill and purchased intangible assets have been recorded as a result of the Company's acquisitions. Goodwill is not amortized for accounting purposes. Purchased intangible assets are amortized over their estimated useful lives, generally one and one-half to seven years.

The Company is required to perform an annual impairment test of goodwill. Should certain events or indicators of impairment occur between annual impairment tests, the Company would perform the impairment test of goodwill when those events or indicators occurred. In the first step of the analysis, the Company's assets and liabilities, including existing goodwill and other intangible assets, are assigned to the identified reporting units to determine the carrying value of the reporting units. Based on how the business is managed, the Company has five reporting units. Goodwill is allocated to the reporting unit based on its relative contribution to the Company's operating results. If the carrying value of a reporting unit is in excess of its fair value, an impairment may exist, and the Company must perform the second step of comparing the implied fair value of the goodwill to its carrying value to determine the impairment charge, if any.

The fair value of the reporting units is determined using the income approach. The income approach focuses on the income-producing capability of an asset, measuring the current value of the asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. For the three and nine months ended July 31, 2007, no impairment charges have been recorded.

Accounting for Impairment of Long-Lived Assets

The Company periodically evaluates whether changes have occurred that would require revision of the remaining useful life of property, plant and equipment and purchased intangible assets or render them not recoverable. If such circumstances arise, the Company uses an estimate of the undiscounted value of expected future operating cash flows to determine whether the long-lived assets are impaired. If the aggregate undiscounted cash flows are less than the carrying amount of the assets, the resulting impairment charge to be recorded is calculated based on the excess of the carrying value of the assets over the fair value of such assets, with the fair value determined based on an estimate of discounted future cash flows. For the three and nine months ended July 31, 2007, no impairment charges have been recorded.

Stock-Based Compensation

The Company follows the fair value recognition and measurement provisions of SFAS No. 123(R), *Share-Based Payment*. SFAS No. 123(R) is applicable for stock-based awards exchanged for employee services and in certain circumstances for non-employee directors. Pursuant to SFAS No. 123(R), stock-based compensation

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period.

Severance Pay

The Company's liability for severance pay to its Israeli employees is calculated pursuant to Israeli severance pay law based on the most recent salary of the employee multiplied by the number of years of employment of such employee as of the applicable balance sheet date. Employees are entitled to one month's salary for each year of employment, or a pro-rata portion thereof. The Company funds the liability by monthly deposits in insurance policies and severance pay funds. The expense for the three and nine months ended July 31, 2007 was $430,000 and $1,228,000, respectively.

Segment Reporting

The Company maintains two reportable segments, North America, consisting of the United States and Canada, and International, consisting of all other countries in which the Company makes sales outside of the United States and Canada.

Net Income (Loss) Per Share

Basic net income (loss) per common share is computed by dividing income (loss) attributable to common stockholders by the weighted average number of common shares outstanding for the period, less the weighted average number of common shares subject to repurchase. Diluted net income (loss) per common share is computed using the weighted average number of common shares outstanding plus the effect of common stock equivalents, unless the common stock equivalents are anti-dilutive. The potential dilutive shares of the Company's common stock resulting from the assumed exercise of outstanding stock options and equivalents and the assumed exercise of the warrants relating to the senior convertible notes and the dilutive effect of the senior convertible notes are determined under the treasury stock method.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)	2006	2007 (Restated)	2006
Basic and diluted net income (loss) per share:				
Numerator:				
Net income (loss)	$ (42,386)	$ 16,755	$ (52,883)	$ 45,585
Denominator:				
Weighted-average shares of voting common stock outstanding	83,078	67,956	82,589	67,822
Less: weighted-average shares subject to repurchase	(671)	(1,672)	(890)	(1,886)
Weighted-average shares used in computing basic net income (loss) per share	82,407	66,284	81,699	65,936
Add dilutive securities:				
Weighted-average shares subject to repurchase	—	1,672	—	1,886
Stock options and restricted stock units	—	1,123	—	1,084
Weighted-average shares used in computing diluted net income (loss) per share	82,407	69,079	81,699	68,906
Net income (loss) per share:				
Basic	$ (0.51)	$ 0.25	$ (0.65)	$ 0.69
Diluted	$ (0.51)	$ 0.24	$ (0.65)	$ 0.66

As of July 31, 2007, options and restricted stock units to purchase 10,423,023 common shares were excluded from the calculation of weighted average shares for diluted net loss per share as they were anti-dilutive. For the three and nine months ended July 31, 2006, options to purchase 2,356,220 and 2,496,220 common shares, respectively, were excluded from the calculation of weighted average shares for diluted net income per share as they were anti-dilutive.

The senior convertible notes are considered to be Instrument C securities as defined by Emerging Issues Task Force Issue No. 90-19 ("EITF 90-19"), *Convertible Bonds with Issuer Option to Settle for Cash upon Conversion*; therefore, only the conversion spread relating to the senior convertible notes is included in the Company's diluted earnings per share calculation, if dilutive. The potential dilutive shares of the Company's common stock resulting from the assumed settlement of the conversion spread of the senior convertible notes are determined under the method set forth in EITF 90-19. Under such method, the settlement of the conversion spread of the senior convertible notes has a dilutive effect when the average share price of the Company's common stock during the period exceeds $44.02. The average share price of the Company's common stock during the three and nine months ended July 31, 2007 did not exceed $44.02.

Warrants to purchase 7.2 million shares of the Company's common stock were outstanding at July 31, 2007, but were not included in the computation of diluted net income (loss) per share because the warrants' exercise price was greater than the average market price of the Company's common stock during the three and nine months ended July 31, 2007; therefore, their effect was anti-dilutive.

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Recent Accounting Pronouncements

In June 2006, FASB issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes* — an interpretation of FASB Statement No. 109, which clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position. FIN 48 indicates that an enterprise shall initially recognize the financial statement effects of a tax position when it is more likely than not of being sustained on examination, based on the technical merits of the position. In addition, FIN 48 indicates that the measurement of a tax position that meets the more likely than not threshold shall consider the amounts and probabilities of the outcomes that could be realized upon ultimate settlement. This interpretation is effective for fiscal years beginning after December 15, 2006 and interim periods within those fiscal years. The Company is in the process of evaluating the impact of adopting FIN 48 on the Company's consolidated results of operations, financial position or cash flows.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 ("SAB 108"), *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*. SAB 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of determining whether the current year's financial statements are materially misstated. SAB 108 is effective for fiscal years ending after November 15, 2006. The implementation of SAB 108 did not have a material impact on the Company's consolidated results of operations, financial position or cash flows.

In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The implementation of SFAS No. 157 is not expected to have a material impact on the Company's consolidated results of operations, financial position or cash flows.

In February 2007, FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of the guidance is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years, provided the provisions of SFAS No. 157 are applied. The Company is evaluating SFAS No. 159 and has not yet determined the impact, if any, that the adoption will have on the Company's consolidated financial statements.

Note 4. Business Combination

Lipman Electronic Engineering Ltd. ("Lipman")

On November 1, 2006, the Company acquired all of the outstanding common stock of Lipman. The Company acquired Lipman to enhance the Company's ability to reach certain of its strategic and business objectives, which include (i) extending the Company's product and service offerings to include Lipman's products, (ii) enabling the Company to leverage its distribution channels, international presence, customer base, and brand recognition to accelerate Lipman's market penetration and growth, (iii) enabling the Company to enhance its position in areas where the Company is already strong by offering complementary products and services developed by Lipman, (iv) enhancing its product offerings in a variety of its core product areas, and (v) enhancing the Company's manufacturing capacity.

The consideration paid to acquire Lipman was $347.3 million in cash, 13,462,474 shares of common stock of the Company, and assumption of all outstanding Lipman stock options. To fund a portion of the cash consideration,

the Company used $307.2 million of the Term B Loan proceeds under its Credit Facility on November 1, 2006. See Note 6 of Notes to Condensed Consolidated Financial Statements for additional information related to the Credit Facility.

The purchase price is as follows (in thousands).

	(Restated)
Cash	$ 347,347
Value of common stock issued	417,606
Value of Lipman vested and unvested options assumed	38,008
Transaction costs and expenses	15,964
Sub-total	818,925
Less: Value of unvested Lipman options assumed	(19,356)
Total purchase price	$ 799,569

Pursuant to the proration and allocation provisions of the merger agreement, the total merger consideration consisted of (i) a number of shares of the Company's common stock equal to the product of 0.50 multiplied by the number of Lipman ordinary shares issued and outstanding on the closing date and (ii) an amount in cash equal to the product of $12.804 multiplied by the number of Lipman ordinary shares issued and outstanding on the closing date, as reduced by the aggregate amount of the special cash dividend paid by Lipman prior to the merger. The Company issued 13,462,474 shares of common stock and paid $344.7 million (excluding the aggregate amount of the special cash dividend). The Company subsequently paid an additional $2.6 million in cash to acquire the remaining minority interest of Lipman's Chinese subsidiary.

The 13,462,474 shares have been valued at $31.02 per share based on an average of the closing prices of the Company's common stock for a range of trading days two days before April 10, 2006, the announcement date of the proposed merger, the announcement date, and two days after the announcement date.

Pursuant to the merger agreement, the Company assumed, generally on a one-for-one basis, all Lipman share options outstanding at closing. The Company assumed options to purchase approximately 3,375,527 shares of Lipman ordinary shares at a weighted average exercise price of $24.47. The fair value of the outstanding vested and unvested options of $38.0 million, was determined using a Black-Scholes valuation model using the following weighted-average assumptions: stock price of $31.02 per share (determined as described above), expected term of 2.5 years, expected volatility of 41%, and risk free interest rate of 4.7%.

For accounting purposes the fair value of unvested options as of the closing date is considered unrecognized share-based compensation and is deducted in determining the purchase price. This unrecognized share-based compensation is being recognized as compensation expense on a straight line basis over the estimated remaining service period of 2.8 years. The fair value of the outstanding unvested options of $19.4 million was determined using a Black-Scholes valuation model using the assumptions noted above, except that the stock price on the closing date of $30.00 per share was used, as required, instead of the average price around the announcement date of $31.02 per share. The Company determined the number of unvested options based on the ratio of the number of months of service remaining to be provided by employees as of November 1, 2006 to the total vesting period for the options.

Under the purchase method of accounting, the total estimated purchase price as shown in the table above is allocated to Lipman's tangible and intangible assets acquired and liabilities assumed as well as in-process research and development based on their estimated fair values as of the closing date. The excess of the purchase price over the net tangible and intangible assets is recorded as goodwill. The preliminary allocation of the purchase price is based on preliminary estimates and currently available information.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Based on the preliminary valuation which has not been finalized and other information currently available, the preliminary estimated purchase price is allocated as follows (in thousands):

	(Restated)
Cash	$ 95,931
Accounts receivable	33,433
Inventories	65,765
Property, plant, and equipment	18,631
Other assets	12,743
Deferred revenue	(8,607)
Other current liabilities	(89,157)
Net deferred tax liabilities	(65,576)
Non current liabilities	(9,635)
Net tangible assets	53,528
Amortizable intangible assets:	
Developed and core technology	133,480
Customer backlog	50
Customer relationships	64,870
Internal use software	3,460
Sub-total intangible assets	201,860
In-process research and development	6,650
Excess over fair value of vested options	1,030
Goodwill	536,501
Total preliminary estimated purchase price allocation	$ 799,569

Net Tangible Assets

Of the total estimated purchase price, a preliminary estimate of approximately $53.5 million has been allocated to net tangible assets acquired. Except for inventories, property, plant, and equipment, deferred revenue, accrued liabilities, and deferred taxes, the Company has valued net tangible assets at their respective carrying amounts as of November 1, 2006 as the Company believes these amounts approximate their current fair values or the fair values have not yet been determined.

The Company has increased Lipman's historical value of inventories by $13.9 million to adjust inventories to an amount equivalent to the selling price less an appropriate profit margin. The Company reduced Lipman's historical value of deferred revenue by $3.6 million to adjust deferred revenue to an amount equivalent to the estimated cost plus an appropriate profit margin to perform the services related to Lipman's service contracts. The Company reduced Lipman's historical net book value of property, plant, and equipment by $1.4 million to adjust property, plant, and equipment to estimated fair value. As of July 31, 2007, the purchase price allocation is preliminary and is subject to adjustment.

The Company has identified and recorded provisions related to certain pre-acquisition contingencies of $21.4 million related to liabilities that are probable and the amount of the liability is reasonably estimable. With respect to certain other identified pre-acquisition contingencies, the Company continues to accumulate information to assess whether or not the related asset, liability, or impairment is probable and the amount of the asset, liability, or

impairment can be reasonably estimated and as such accrued in the purchase price allocation prior to the end of the purchase price allocation period.

Pursuant to a detailed restructuring plan which is not complete, the Company accrued $6.4 million of costs for severance, costs of vacating facilities, and costs to exit or terminate other duplicative activities in accordance with the requirements of EITF 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination* (see Note 7). As the Company finalizes its restructuring plan, additional amounts may be accrued.

Certain deferred tax liabilities have been recorded based upon preliminary conclusions regarding the tax positions expected to be taken. Included in the amounts recorded on a preliminary basis is a foreign deferred tax liability of approximately $32.8 million recorded in connection with undistributed pre-acquisition foreign earnings subject to an approved enterprise status in Israel.

Intangible Assets

Developed and core technology, which comprises products that have reached technological feasibility, includes products in Lipman's product lines, principally the Nurit product line. Lipman's technology and products are designed for hardware, software, solutions, and services, serving the point of sale market internationally. This proprietary know-how can be leveraged by the Company to develop new technology and improved products and manufacturing processes. The Company expects to amortize the developed and core technology over estimated lives of 18 months to 7 years.

Customer relationships represent the distribution channels through which Lipman sells the majority of its products and services. The Company expects to amortize the fair value of these assets over estimated lives of 4 to 6 years.

Internal use software represents the internal use software assets which have been developed internally but have not previously been capitalized. The Company expects to amortize the fair value of these assets over estimated lives of 5 to 7 years.

The fair value of intangible assets was based on a preliminary valuation using an income approach, as well as discussions with Lipman management and a review of certain transaction-related documents and forecasts prepared by the Company and Lipman management. The rate utilized to discount net cash flows to their present values is 13%. The discount rate was determined after consideration of the Company's weighted average cost of capital specific to this transaction.

Estimated useful lives for the intangible assets were based on historical experience with technology life cycles, product roadmaps, branding strategy, historical and projected maintenance renewal rates, historical treatment of the Company's acquisition-related intangible assets, and the Company's intended future use of the intangible assets.

In-Process Research and Development

Of the total estimated purchase price, $6.7 million was allocated to in-process research and development and was charged to expense in the nine months ended July 31, 2007. In-process research and development represents incomplete Lipman research and development projects that had not reached technological feasibility and had no alternative future use. Lipman was developing new products that qualify as in-process research and development in multiple product areas. Lipman's research and development projects were focused on developing new products, integrating new technologies, improving product performance and broadening features and functionalities. The principal research and development efforts of Lipman are related primarily to three products. There is a risk that these developments and enhancements will not be competitive with other products using alternative technologies that offer comparable functionality.

The value assigned to in-process research and development was determined by considering the importance of each project to the overall development plan, estimating costs to develop the purchased in-process research and

development into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The revenue estimates used to value the purchased in-process research and development were based on estimates of relevant market sizes and growth factors, expected trends in technology, and the nature and expected timing of new product introductions by Lipman and its competitors.

The rates utilized to discount the net cash flows to their present value were based on the Company's weighted average cost of capital. The weighted average cost of capital was adjusted to reflect the difficulties and uncertainties in completing each project and thereby achieving technological feasibility, the percentage of completion of each project, anticipated market acceptance, and penetration, market growth rates, and risks related to the impact of potential changes in future target markets. Based on these factors, a discount rate of 19% was deemed appropriate for valuing the in-process research and development.

Excess Over Fair Value of Vested Options

The Company assumed Lipman options to purchase shares based generally on a one-for-one exchange ratio, which differed from the all-stock exchange ratio of 0.9336 (the all stock consideration exchange ratio of 0.9844 as reduced by the per share value of the $1.50 per share special cash dividend) for Lipman ordinary shares. As a result, the Company recognized $1.0 million of share-based compensation for the excess fair value of vested options in the nine months ended July 31, 2007.

Goodwill

Of the total purchase price, approximately $536.5 million is estimated to be allocated to goodwill. Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and intangible assets, in-process research and development and excess of fair value of vested options. Goodwill arose because of Lipman's ability to help the Company reach certain of its strategic and business objectives. Goodwill will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that the management of the combined company determines that the value of goodwill has become impaired, the combined company will incur an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made. The goodwill has been allocated $530.0 million to the International segment and $6.5 million to the North America segment. Most of the goodwill is expected to be deductible for income tax purposes.

The results of operations of Lipman are included in the Company's consolidated financial statements from November 2006. The following table presents pro forma results of operations and gives effect to the acquisition of Lipman as if the acquisition had been consummated at the beginning of fiscal year 2006. The unaudited pro forma results of operations are not necessarily indicative of what would have occurred had the acquisition been made as of the beginning of the period or of the results that may occur in the future. Net income includes the write-off of acquired in-process research and development of zero and $6.7 million, additional interest expense of $5.1 million and $17.3 million, deferred revenue step down of $0.7 million and $3.1 million, fair value step up of inventory of zero and $13.9 million, stock-based compensation for the excess fair value on vested options of zero and

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

$1.0 million, and amortization of intangible assets related to the acquisition of $12.1 million and $36.3 million for the three and nine months ended July 31, 2006, respectively. The unaudited pro forma information is as follows:

	Three Months Ended July 31, 2006	Nine Months Ended July 31, 2006
	(Restated) (In millions, except per share amounts)	
Total net revenues	$ 209.7	$ 610.5
Net income	$ 8.8	$ 14.2
Net income per share — basic	$ 0.11	$ 0.18
Net income per share — diluted	$ 0.11	$ 0.17

The pro forma amounts above were compiled using the three and nine month periods ended June 30, 2006 for Lipman and the three and nine month periods ended July 31, 2006 for VeriFone.

PayWare

On September 1, 2006, the Company acquired PayWare, the payment systems business of Trintech Group PLC, for approximately $10.7 million, comprised of $9.6 million in cash consideration and $1.1 million transaction costs. The cash consideration includes $2.0 million which has been placed in an escrow account pending resolution of certain items. The Company acquired PayWare to broaden the Company's EMEA presence at the point of sale beyond its core solutions. The Company's consolidated financial statements include the operating results of the business acquired from the date of acquisition.

The total estimated purchase price of $10.7 million was allocated as follows: $11.9 million to goodwill (not deductible for income tax purposes); $7.7 million to intangible assets, comprised of developed technology of $3.0 million, backlog of $1.4 million, and customer relationships of $3.3 million; and $8.9 million to net tangible liabilities assumed. The estimated useful economic lives of the identifiable intangible assets acquired are 3 to 5 years for the developed technology, one year for backlog, and 4 to 6 years for the customer relationship. The weighted average amortization period for developed technology and customer relationships was 3.7 years. As of July 31, 2007, the purchase price allocation is preliminary and subject to adjustment for any pre-acquisition contingencies. Pro forma financial information is not provided as PayWare's results of operations are not material to the Company's results of operations.

VeriFone Transportation Systems, Inc.

In February 2007, the Company made an additional investment in VeriFone Transportation Systems, Inc. ("VTS") to increase its ownership percentage to 51%. The total purchase price of $5 million was allocated to the net assets of VTS. In May 2007, the Company made an additional investment of $5.0 million in VTS to increase its ownership percentage from 51.0% to 63.2%. In addition, the Company provided VTS with a working capital loan of $1.0 million. In July 2007, VTS issued capital stock to a third party reducing the Company's equity interest in VTS from 63.2% to 60.1%. As of July 31, 2007, the purchase price allocation is preliminary and is subject to adjustments for the fair value of purchased intangibles. Pro forma financial information is not provided as VTS' results of operations are not material to the company's results of operations.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 5. Balance Sheet and Statements of Operations Detail

Inventories

Inventories consisted of the following (in thousands):

	July 31, 2007 (Restated)	October 31, 2006
Raw materials	$ 23,916	$ 4,095
Work-in-process	4,160	808
Finished goods	76,708	81,728
	$ 104,784	$ 86,631

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	July 31, 2007 (Restated)	October 31, 2006
Prepaid taxes	$ 6,781	$ 5,241
Prepaid expenses	14,924	3,208
Other receivables	7,161	750
Other current assets	572	3,744
	$ 29,438	$ 12,943

Property, Plant, and Equipment, net

Property, plant, and equipment, net consisted of the following (in thousands):

	July 31, 2007 (Restated)	October 31, 2006
Computer hardware and software	$ 11,809	$ 7,049
Office equipment, furniture, and fixtures	4,444	3,972
Machinery and equipment	9,824	5,602
Leasehold improvements	6,920	3,897
Construction in progress	14,726	966
Land	1,633	—
Buildings	5,206	—
Total	54,562	21,486
Accumulated depreciation and amortization	(14,272)	(14,186)
Property, plant, and equipment, net	$ 40,290	$ 7,300

The increase in construction in progress during the nine months ended July 31, 2007 was $13.8 million. This increase was primarily attributable to the Company's migration to a new enterprise resource planning information system, which will replace certain of its existing systems in fiscal 2008. At each of July 31, 2007 and October 31, 2006, equipment amounting to $1.3 million was capitalized under capital leases. Related accumulated amortization as of July 31, 2007 and October 31, 2006 amounted to $1.3 million and $1.2 million, respectively.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Purchased Intangible Assets, net

Purchased intangible assets subject to amortization consisted of the following (in thousands):

	July 31, 2007			October 31, 2006		
	Gross Carrying Amount	Accumulated Amortization (Restated)	Net	Gross Carrying Amount	Accumulated Amortization	Net
Developed technology	$ 170,607	$ (55,109)	$ 115,498	$ 35,164	$ (28,616)	$ 6,548
Core technology	14,442	(14,442)	—	14,442	(12,517)	1,925
Trade name	22,225	(22,225)	—	22,225	(19,942)	2,283
Internal use software	4,288	(647)	3,641	—	—	—
Customer relationships	88,230	(26,973)	61,257	19,314	(13,526)	5,788
	$ 299,792	$ (119,396)	$ 180,396	$ 91,145	$ (74,601)	$ 16,544

Amortization of purchased intangibles was allocated as follows (in thousands):

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)	2006	2007 (Restated)	2006
Included in cost of net revenues	$ 9,278	$ 1,071	$ 28,474	$ 4,083
Included in operating expenses	5,416	1,159	16,456	3,477
	$ 14,694	$ 2,230	$ 44,930	$ 7,560

Estimated future amortization expense of intangible assets recorded as of July 31, 2007 was as follows (in thousands):

Fiscal Year	Cost of Revenues	Operating Expenses (Restated)	Total
2007 (remaining three months)	$ 9,819	$ 3,653	$ 13,472
2008	31,917	25,125	57,042
2009	31,173	20,180	51,353
2010	24,311	11,808	36,119
Thereafter	18,278	4,132	22,410
	$ 115,498	$ 64,898	$ 180,396

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Goodwill

Activity related to goodwill consisted of the following (in thousands):

	July 31, 2007 (Restated)	October 31, 2006
Balance, beginning of year	$ 52,689	$ 47,260
Additions related to acquisitions	545,417	6,352
Resolution of tax contingencies and adjustments to tax reserves and valuation allowances established in purchase accounting	(3,262)	(923)
Currency translation adjustments	15,507	—
Balance, end of period	$ 610,351	$ 52,689

Warranty

Activity related to warranty consisted of the following (in thousands):

	July 31, 2007	October 31, 2006
Balance, beginning of year	$ 5,432	$ 5,243
Warranty charged to cost of net revenues	2,412	3,311
Utilization of warranty	(5,530)	(3,815)
Changes in estimates	483	693
Warranty assumed in acquisitions	7,731	—
Balance, end of period	10,528	5,432
Less current portion	(10,102)	(4,902)
Long-term portion	$ 426	$ 530

Deferred Revenue, net

Deferred revenue, net consisted of the following (in thousands):

	July 31, 2007 (Restated)	October 31, 2006
Deferred revenue	$ 53,431	$ 34,309
Less long-term portion	(10,310)	(7,371)
	43,121	26,938
Deferred cost of revenue	(3,569)	(3,371)
Current portion, net	$ 39,552	$ 23,567

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other Current Liabilities

Other current liabilities consisted of the following (in thousands):

	July 31, 2007	October 31, 2006
Taxes payable (excluding income tax)	$ 31,999	$ 1,990
Other accounts payable	13,758	7,511
Accrued audit and legal fees	5,221	3,135
Interest payable	482	5
Other liabilities	19,758	1,020
	$ 71,218	$ 13,661

Other Income (Expense), net

Other income (expense), net consisted of the following (in thousands):

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2007 (Restated)	2006	2007 (Restated)	2006
Refund of foreign customs fees	$ —	$ —	$ —	$ 288
Foreign currency transaction gains, net	1,213	137	3,106	309
Foreign currency contract losses, net	(914)	(354)	(2,929)	(543)
Loss on debt extinguishment	(4,764)	—	(4,764)	—
Other, net	309	22	168	17
	$ (4,156)	$ (195)	$ (4,419)	$ 71

Note 6. Financing

The Company's financing consisted of the following (in thousands):

	July 31, 2007	October 31, 2006
Secured credit facility:		
Revolver	$ —	$ —
Term B loan	237,500	192,780
1.375% Senior convertible notes	316,250	—
Capital leases and other	623	109
	554,373	192,889
Less current portion	(5,367)	(1,985)
Long-term portion	$ 549,006	$ 190,904

Secured Credit Facility

On October 31, 2006, the Company's principal subsidiary, VeriFone, Inc. (the "Borrower"), entered into a credit agreement consisting of a Term B Loan facility of $500 million and a revolving loan permitting borrowings of up to $40 million (the "Credit Facility"). The proceeds from the Term B loan were used to repay all outstanding

amounts relating to an existing senior secured credit agreement, pay certain transaction costs and partially fund the cash consideration in connection with the acquisition of Lipman on November 1, 2006. The Term B Loan was drawn down in its entirety on October 31 and November 1, 2006. Through July 31, 2007, the Company repaid an aggregate of $262.5 million, leaving a Term B Loan balance of $237.5 million at July 31, 2007.

The Credit Facility is guaranteed by the Company and certain of its subsidiaries and is secured by collateral including substantially all of the Company's assets and stock of the Company's subsidiaries. At July 31, 2007 and October 31, 2006, the interest rates were 7.11% and 7.12% on the Term B Loan and 6.61% and 6.87% on the revolving loan, respectively. The Company pays a commitment fee on the unused portion of the revolving loan under its Credit Facility at a rate that varies between 0.375% and 0.30% per annum depending upon its consolidated total leverage ratio. At July 31, 2007 and October 31, 2006, the Company was paying a commitment fee at a rate of 0.30% and 0.375% per annum, respectively. The Company pays a letter of credit fee on the unused portion of any letter of credit issued under the Credit Facility at a rate that varies between 1.50% and 1.25% per annum depending upon its consolidated total leverage ratio. At July 31, 2007 and October 31, 2006, the Company was subject to a letter of credit fee at a rate of 1.25% and 1.50% per annum, respectively.

As of July 31, 2007, at the Company's option, the revolving loan bears interest at a rate of 1.25% over the three-month LIBOR, which was 5.36%, or 0.25% over the lender's base rate, which was 8.25%. As of October 31, 2006, at the Company's option, the revolving loan bore interest at a rate of 1.50% over the three-month LIBOR, which was 5.37%, or 0.50% over the lender's base rate, which was 8.25%. As of July 31, 2007, the entire $40 million revolving loan was available for borrowing to meet short-term working capital requirements. At the Company's option, the Term B Loan bears interest at a rate of 1.75% over the three-month LIBOR or 0.75% over the base rate.

Interest payments are generally paid quarterly but can be based on one, two, three, or six-month periods. The lender's base rate is the greater of the Federal Funds rate plus 50 basis points or the JPMorgan prime rate. The respective maturity dates on the components of the Credit Facility are October 31, 2012 for the revolving loan and October 31, 2013 for the Term B Loan. Payments on the Term B Loan are due in equal quarterly installments of $1.2 million over the seven-year term on the last business day of each calendar quarter with the balance due on maturity.

The terms of the Credit Facility require the Company to comply with financial covenants, including maintaining leverage and fixed charge coverage ratios at the end of each fiscal quarter, obtaining protection against fluctuation in interest rates, and limits on annual capital expenditure levels. As of July 31, 2007, the Company was required to maintain a total leverage ratio of not greater than 4.0 to 1.0 and a fixed charge coverage ratio of at least 2.0 to 1.0. Total leverage ratio is equal to total debt less cash as of the end of a reporting fiscal quarter divided by the consolidated EBITDA for the most recent four consecutive fiscal quarters. Some of the financial covenants become more restrictive over the term of the Credit Facility. Noncompliance with any of the financial covenants without cure or waiver would constitute an event of default under the Credit Facility. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the revolving loan. The Credit Facility also contains non-financial covenants that restrict some of the Company's activities, including its ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments, make capital expenditures and engage in specified transactions with affiliates. The terms of the Credit Facility permit prepayments of principal and require prepayments of principal upon the occurrence of certain events including, among others, the receipt of proceeds from the sale of assets, the receipt of excess cash flow as defined, and the receipt of proceeds of certain debt issues. The Credit Facility also contains customary events of default, including defaults based on events of bankruptcy and insolvency; nonpayment of principal, interest, or fees when due, subject to specified grace periods; breach of specified covenants; change in control and material inaccuracy of representations and warranties. The Company was in compliance with its financial and non-financial covenants as of July 31, 2007.

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

1.375% Senior Convertible Notes

On June 22, 2007, the Company sold $316.2 million aggregate principal amount of 1.375% Senior Convertible Notes due 2012 (the "Notes") in an offering through Lehman Brothers Inc. and JP Morgan Securities Inc. (together "initial purchasers") to qualified institutional buyers pursuant to Section 4(2) and Rule 144A under the Securities Act. The net proceeds from the offering, after deducting transaction costs, were approximately $307.9 million. The Company incurred approximately $8.3 million of debt issuance costs. The transaction costs, consisting of the initial purchasers' discounts and offering expenses, were primarily recorded in debt issuance costs, net and are being amortized to interest expense using the effective interest method over five years. The Company will pay 1.375% interest per annum on the principal amount of the Notes, payable semi-annually in arrears in cash on June 15 and December 15 of each year, commencing on December 15, 2007, subject to increase in certain circumstances as described below.

The Notes were issued under an Indenture between the Company and U.S. Bank National Association, as trustee. Each $1,000 of principal of the Notes will initially be convertible into 22.719 shares of VeriFone common stock, which is equivalent to a conversion price of approximately $44.02 per share, subject to adjustment upon the occurrence of specified events. Holders of the Notes may convert their Notes prior to maturity during specified periods as follows: (1) on any date during any fiscal quarter beginning after October 31, 2007 (and only during such fiscal quarter) if the closing sale price of the Company's common stock was more than 130% of the then current conversion price for at least 20 trading days in the period of the 30 consecutive trading days ending on the last trading day of the previous fiscal quarter; (2) at any time on or after March 15, 2012; (3) if the Company distributes, to all holders of its common stock, rights or warrants (other than pursuant to a rights plan) entitling them to purchase, for a period of 45 calendar days or less, shares of the Company's common stock at a price less than the average closing sale price for the ten trading days preceding the declaration date for such distribution; (4) if the Company distributes, to all holders of its common stock, cash or other assets, debt securities or rights to purchase the Company's securities (other than pursuant to a rights plan), which distribution has a per share value exceeding 10% of the closing sale price of the Company's common stock on the trading day preceding the declaration date for such distribution; (5) during a specified period if certain types of fundamental changes occur; or (6) during the five business-day period following any five consecutive trading-day period in which the trading price for the Notes was less than 98% of the average of the closing sale price of the Company's common stock for each day during such five trading-day period multiplied by the then current conversion rate. Upon conversion, the Company would pay the holder the cash value of the applicable number of shares of VeriFone common stock, up to the principal amount of the note. Amounts in excess of the principal amount, if any, will be paid in stock. Unless and until the Company obtains stockholder approval to amend its certificate of incorporation to increase its authorized capital, the maximum number of shares available for issuance upon conversion of each $1,000 principal amount of Notes will be the pro rata portion of an aggregate of 3,250,000 shares allocable to such Note, which equates to 10.2766 shares per $1,000 principal amount of Notes. Because the Company did not increase its authorized capital to permit conversion of all of the Notes at the initial conversion rate by June 21, 2008, beginning on June 21, 2008 the Notes began to bear additional interest at a rate of 2.0% per annum (in addition to the additional interest described below) on the principal amount of the Notes, which will increase by 0.25% per annum on each anniversary thereafter if the authorized capital has not been increased. If stockholder approval to increase the Company's authorized capital is received, such additional interest will cease to accrue.

As of July 31, 2007, none of the conditions allowing holders of the Senior Notes to convert had been met. If a fundamental change, as defined in the Indenture, occurs prior to the maturity date, holders of the Notes may require the Company to repurchase all or a portion of their Notes for cash at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus any accrued and unpaid interest (including additional interest, if any) to, but excluding, the repurchase date.

The Notes are senior unsecured obligations and rank equal in right of payment with all of the Company's existing and future senior unsecured indebtedness. The Notes are effectively subordinated to any secured

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

indebtedness to the extent of the value of the related collateral and structurally subordinated to indebtedness and other liabilities of the Company's subsidiaries including any secured indebtedness of such subsidiaries.

In connection with the sale of the Notes, the Company entered into a registration rights agreement, dated as of June 22, 2007, with the initial purchasers of the Notes (the "Registration Rights Agreement"). Under the Registration Rights Agreement, the Company has agreed (1) to use reasonable best efforts to cause a shelf registration statement covering resales of the Notes and the shares of common stock issuable upon conversion of the Notes to be declared effective by December 19, 2007 or to cause an existing shelf registration statement to be made available within 180 days after the original issuance of the Notes and (2) to use its reasonable best efforts to keep effective the shelf registration statement until the earliest of (i) the date when the holders of transfer-restricted Notes and shares of common stock issued upon conversion of the Notes are able to sell all such securities immediately without restriction under Rule 144(k) under the Securities Act of 1933, as amended (the "Securities Act"), (ii) the date when all transfer-restricted Notes and shares of common stock issued upon conversion of the Notes are registered under the registration statement and sold pursuant thereto and (iii) the date when all transfer-restricted Notes and shares of common stock issued upon conversion of the Notes have ceased to be outstanding. If the Company fails to meet these terms, it will be required to pay additional interest on the Notes at a rate of 0.25% per annum for the first 90 days and at a rate of 0.50% per annum thereafter.

Due to the delay in the filing of the 2007 Annual Report on Form 10-K, the Company has not yet been able to register the Notes and the shares underlying the Notes. Accordingly, the interest rate on the Notes increased by 0.25% per annum on December 20, 2007 and by an additional 0.25% per annum on March 19, 2008 relating to the Company's obligations under the Registration Rights Agreement. Once a registration statement covering the Notes and shares underlying the Notes is declared effective, such additional interest will cease to accrue.

In addition, the interest rate on the Notes increased an additional 0.25% per annum on May 1, 2008 (in addition to the additional interest described above) because the Company failed to file and deliver the 2007 Annual Report. Such additional 0.25% interest will cease to accrue upon the filing of the 2007 Annual Report.

In connection with the offering of the Notes, the Company entered into note hedge transactions with affiliates of the initial purchasers (the "counterparties") whereby the Company has the option to purchase up to 7,184,884 shares of its common stock at a price of approximately $44.02 per share. The cost to the Company of the note hedge transactions was approximately $80.2 million. The note hedge transactions are intended to mitigate the potential dilution upon conversion of the Notes in the event that the volume weighted average price of the Company's common stock on each trading day of the relevant conversion period or other relevant valuation period is greater than the applicable strike price of the convertible note hedge transactions, which initially corresponds to the conversion price of the Notes and is subject, with certain exceptions, to the adjustments applicable to the conversion price of the Notes.

In addition, the Company sold warrants to the counterparties whereby they have the option to purchase up to approximately 7.2 million shares of VeriFone common stock at a price of $62.356 per share, which price may reset, if higher, to a 70% premium over the market price of the Company's common stock determined approximately six months after the original issue date of the warrants. The Company received approximately $31.2 million in cash proceeds from the sale of these warrants. If the volume weighted average price of the Company's common stock on each trading day of the measurement period at maturity of the warrants exceeds the applicable strike price of the warrants, there would be dilution to the extent that such volume weighted average price of the Company's common stock exceeds the applicable strike price of the warrants. Unless and until the Company obtains stockholder approval to amend its certificate of incorporation to increase its authorized capital, the maximum number of shares issuable upon exercise of the warrants will be 1,000,000 shares of the Company's common stock. If the Company does not obtain stockholder approval to amend its certificate of incorporation to increase its authorized capital by the date of the second annual meeting of the Company's stockholders after the date of the pricing of the Notes, the number of shares of the Company's common stock underlying the warrants will increase by 10%, and the warrants will be subject to early termination by the counterparties.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The cost incurred in connection with the note hedge transactions, net of the related tax benefit and the proceeds from the sale of the warrants, totaled $17.8 million and is included as a net reduction in additional paid-in capital in the accompanying condensed consolidated balance sheets as of July 31, 2007, in accordance with the guidance in Emerging Issues Task Force Issue No. 00-19 ("EITF 00-19"), *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.*

In accordance with SFAS No. 128, *Earnings per Share,* the Notes will have no impact on diluted earnings per share, or EPS, until the price of the Company's common stock exceeds the conversion price of $44.02 per share because the principal amount of the Notes will be settled in cash upon conversion. Prior to conversion the Company will include the effect of the additional shares that may be issued if its common stock price exceeds $44.02 per share using the treasury stock method. If the price of the Company's common stock exceeds $62.356 per share, it will also include the effect of the additional potential shares that may be issued related to the warrants using the treasury stock method. Prior to conversion, the note hedge transactions are not considered for purposes of the EPS calculation as their effect would be anti-dilutive.

Note 7. Restructuring Charges

Fiscal Year 2002 Restructuring Plan

In connection with the acquisition of VeriFone, Inc. by the Company on July 1, 2002, the Company assumed the liability for a restructuring plan (fiscal 2002 restructuring plan). The remaining accrued restructuring balance represents primarily future facilities lease obligations, net of estimated future sublease income, which are expected to be paid through the end of 2009. The payment of the restructuring costs for the International segment was zero and $8,000 for the nine months ended July 31, 2007 and 2006, respectively. The Company paid restructuring costs of $182,000 and $533,000 for the nine months ended July 31, 2007 and 2006, respectively, in the North America segment. As of July 31, 2007, the Company had a liability of $48,000 and $15,000 for the North America segment and International segment, respectively.

Activities related to the fiscal 2002 restructuring plan are as follows (in thousands):

	Facilities	Other	Total (Restated)	Short-Term Portion	Long-Term Portion
Balance at October 31, 2006	$ 486	$ 60	$ 546	$ 503	$ 43
Additions	10	—	10	10	—
Reductions	(266)	(49)	(315)	(300)	(15)
Cash payments	(182)	—	(182)	(182)	—
Foreign exchange impact	—	4	4	4	—
Balance at July 31, 2007	$ 48	$ 15	$ 63	$ 35	$ 28

	Facilities	Other	Total	Short-Term Portion	Long-Term Portion
Balance at October 31, 2005	$ 1,200	$ 60	$ 1,260	$ 765	$ 495
Additions (reductions)	—	8	8	455	(447)
Cash payments	(533)	(8)	(541)	(541)	—
Balance at July 31, 2006	$ 667	$ 60	$ 727	$ 679	$ 48

GO Software Restructuring Plan

In connection with the acquisition of the assets of the GO Software business from Return on Investment Corporation on March 1, 2005, the Company accrued in the purchase price allocation $313,000 of restructuring

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

costs related to the integration of GO Software's Savannah helpdesk facility with the Company's helpdesk facility in Clearwater, Florida. Payments against this liability of $269,000 were made as of October 31, 2006. The restructuring activities have been completed and the Company reversed the remaining accrual balance of $44,000 in the quarter ended July 31, 2007.

Fiscal Year 2006 Restructuring Plan

In the first quarter of fiscal 2006, the Company implemented a restructuring plan that established Singapore supply chain operations to leverage a favorable tax environment and manufacturing operations in the Asia Pacific region (fiscal 2006 restructuring plan). During the year ended October 31, 2006, the Company accrued and paid $591,000 and $583,000, respectively, in restructuring costs leaving a liability of $8,000 in the North America segment. During the six months ended April 30, 2007, the Company reversed the remaining reserve of $8,000. No activity was recorded in the three months ended July 31, 2007 as the restructuring activities have been completed.

Activities related to the fiscal 2006 restructuring plan are as follows (in thousands):

	Severance	Short-Term Portion (Restated)	Long-Term Portion
Balance at October 31, 2006	$ 8	$ 8	$ —
Reductions	(8)	(8)	—
Cash payments	—	—	—
Balance at July 31, 2007	$ —	$ —	$ —

	Severance	Short-Term Portion	Long-Term Portion
Balance at October 31, 2005	$ —	$ —	$ —
Additions	599	599	—
Cash payments	(575)	(575)	—
Balance at July 31, 2006	$ 24	$ 24	$ —

PayWare Restructuring Plan

In the fourth quarter of fiscal 2006, the Company completed the acquisition of PayWare, the payment system business of Trintech Group PLC. The Company developed a restructuring plan and accrued restructuring costs related to a workforce reduction and future facilities lease obligations which were included in the purchase price allocation of PayWare. During the fourth quarter of fiscal 2006, the company accrued and paid $2.9 million and $0.5 million, respectively, for the International segment. As of October 31, 2006, the Company had a remaining liability of $2.4 million. During the nine months ended July 31, 2007, the Company accrued and paid $1.1 million and $2.5 million, respectively, for the International segment. As of July 31, 2007, the Company had a liability of $1.0 million for the International segment.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Activities related to the PayWare acquisition restructuring plan are as follows (in thousands):

	Severance	Facilities	Other	Total (Restated)	Short-Term Portion	Long-Term Portion
Balance at October 31, 2006	$ 1,234	$ 1,098	$ 76	$ 2,408	$ 2,408	$ —
Additions	663	357	105	1,125	1,125	—
Cash payments	(1,846)	(497)	(181)	(2,524)	(2,524)	—
Balance at July 31, 2007	$ 51	$ 958	$ —	$ 1,009	$ 1,009	$ —

Fiscal Year 2007 Restructuring Plan

In the nine months ended July 31, 2007, the Company implemented a restructuring plan that included reductions in workforce of employees in the United States, China, Hong Kong, Mexico, and the Philippines. The Company incurred and paid restructuring costs of $727,000 and $615,000, respectively, for the North America segment for the nine months ended July 31, 2007. For the nine months ended July 31, 2007, the Company incurred and paid restructuring costs of $95,000 and $94,000, respectively, for the International segment. As of July 31, 2007, the Company had a liability of $112,000 and $1,000 for the North American segment and International segment, respectively.

Activities related to the fiscal 2007 restructuring plan are as follows (in thousands):

	Severance	Facilities	Other	Total (Restated)	Short-Term Portion	Long-Term Portion
Balance at October 31, 2006	$ —	$ —	$ —	$ —	$ —	$ —
Additions	808	10	4	822	822	—
Cash payments	(696)	(10)	(3)	(709)	(709)	—
Foreign exchange impact	—	—	—	—		
Balance at July 31, 2007	$ 112	$ —	$ 1	$ 113	$ 113	$ —

Lipman Restructuring Plan

In the first quarter of fiscal 2007, the Company completed the acquisition of Lipman and began formulating a restructuring plan which is expected to be completed by the end of the fiscal year. For those portions of the plan completed during the nine months ended July 31, 2007, the Company accrued into the purchase price allocation restructuring costs related to reduction in workforce and future facilities lease obligation. For the nine months ended July 31, 2007, the Company incurred and paid restructuring costs of $4.4 million, for the International segment. For the nine months ended July 31, 2007, the Company incurred and paid restructuring costs of $0.5 million for the North America segment. As of July 31, 2007, the Company had a liability of $1.5 million for the International segment.

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Activities related to the Lipman acquisition restructuring plan are as follows (in thousands):

	Severance	Facilities	Other	Total (Restated)	Short-Term Portion	Long-Term Portion
Balance at October 31, 2006	$ —	$ —	$ —	$ —	$ —	$ —
Additions	3,394	3,030	—	6,424	3,929	2,495
Cash payments	(1,979)	(2,952)	—	(4,931)	(2,436)	(2,495)
Foreign exchange impact	14	(3)	—	11	11	—
Balance at July 31, 2007	$ 1,429	$ 75	$ —	$ 1,504	$ 1,504	$ —

All Restructuring Plans

As of July 31, 2007 and October 31, 2006, $2.7 million and $3.0 million, respectively, of the restructuring liability was included in other current liabilities and $28,000 and $43,000, respectively, was included in other long-term liabilities in the accompanying condensed consolidated balance sheets.

Note 8. Commitments and Contingencies

The Company leases certain real and personal property under non-cancelable operating leases. Additionally, the Company subleases certain real property to third parties. Future minimum lease payments and sublease rental income under these leases as of July 31, 2007 were as follows (in thousands):

	Minimum Lease Payments	Sublease Rental Income	Net Minimum Lease Payments
Fiscal Year			
Remainder of 2007	$ 2,676	$ 34	$ 2,642
2008	9,500	137	9,363
2009	7,292	89	7,203
2010	6,612	4	6,608
2011	5,374	—	5,374
Thereafter	15,834	—	15,834
	$ 47,288	$ 264	$ 47,024

Certain leases require the Company to pay property taxes, insurance, and routine maintenance, and include rent escalation clauses and options to extend the term of certain leases. Rent expense was approximately $4.4 million and $10.5 million for the three and nine months ended July 31, 2007, respectively, compared to $2.3 million and $6.7 million for the comparable periods in fiscal 2006. Sublease rental income was approximately $45,000 and $168,000 for the three and nine months ended July 31, 2007, respectively, compared to $73,000 and $217,000 for the comparable periods in fiscal 2006.

Manufacturing Agreements

The Company works on a purchase order basis with third-party contract manufacturers and component suppliers with facilities in China, Singapore, and Brazil to manufacture a majority of the Company's inventories. The Company issues a forecast to the third-party contract manufacturers and subsequently agrees to a build schedule to drive component material purchases and capacity planning. In conjunction with this, the Company issues a combination of purchase order and written direction to drive manufacturing activity for finished goods product. The Company provides each manufacturer with a purchase order on a monthly basis to cover the following month's manufacturing requirements, which constitutes a binding commitment by the Company to purchase

Table of Contents

VERIFONE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

materials produced by the manufacturer as specified in the purchase order. The total amount of purchase commitments as of July 31, 2007 and October 31, 2006 was approximately $43.0 million and $17.9 million, respectively, and are generally paid within one year. Of this amount, $2.5 million and $1.4 million has been recorded as accrued expenses in the accompanying condensed consolidated balance sheets as of July 31, 2007 and October 31, 2006, respectively, because the commitment is expected not to have future value to the Company.

Employee Health and Dental Costs

The Company is primarily self-insured for employee health and dental costs and has stop-loss insurance coverage to limit per-incident liability for health costs. The Company believes that adequate accruals are maintained to cover the retained liability. The accrual for self-insurance is determined based on claims filed and an estimate of claims incurred but not yet reported.

Litigation

The Company is subject to various legal proceedings related to commercial, customer, and employment matters that have arisen during the ordinary course of its business. Although there can be no assurance as to the ultimate disposition of these matters, the Company's management has determined, based upon the information available at the date of these financial statements, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

One of the Company's Brazilian subsidiaries has been notified of a tax assessment regarding Brazilian state value added tax ("VAT"), for the periods from January 2000 to December 2001 that relates to products supplied to the Company by a contract manufacturer. The assessment relates to an asserted deficiency of 8.1 million Brazilian reais (approximately $4.3 million) including interest and penalties. The tax assessment was based on a clerical error in which the Company's Brazilian subsidiary omitted the required tax exemption number on its invoices. Management does not expect that the Company will ultimately incur a material liability in respect of this assessment, because they believe, based in part on advice of the Company's Brazilian tax counsel, that the Company is likely to prevail in the proceedings relating to this assessment. On May 25, 2005, the Company had an administrative hearing with respect to this audit. Management expects to receive the decision of the administrative body sometime in 2008. In the event the Company receives an adverse ruling from the administrative body, the Company will decide whether or not to appeal and would reexamine the determination as to whether an accrual is necessary. It is currently uncertain what impact this state tax examination may have with respect to the Company's use of a corresponding exemption to reduce the Brazilian federal VAT.

Two of the Company's Brazilian subsidiaries that were acquired as a part of the Lipman acquisition have been notified of assessments regarding Brazilian customs penalties that relate to alleged infractions in the importation of goods. The assessments were issued by the Federal Revenue Department in the City of Vitória and the City of São Paulo and relate to asserted deficiencies totaling 24.9 million Brazilian reais (approximately $13.3 million) excluding interest. The tax authorities allege that the structure used for the importation of goods was simulated with the objective of evading taxes levied on the importation by under invoicing the imported goods; the tax authorities allege that the simulation was created through a fraudulent interposition of parties, where the real sellers and buyers of the imported goods were hidden.

In the Vitória tax assessment, the fines were reduced from 4.7 million Brazilian reais (approximately $2.5 million) to 1.5 million Brazilian reais (approximately $0.8 million) on a first level administrative decision on January 26, 2007. The proceeding has been remitted to the Taxpayers Council to adjudicate the appeal of the first level administrative decision filed by the tax authorities. The Company also appealed the first level administrative decision on February 26, 2007. In this appeal, the Company argued that the tax authorities did not have enough evidence to determine that the import transactions were indeed fraudulent and that, even if there were some irregularities in such importations, they could not be deemed to be the Company's responsibility since all the